

**Notice No.:** 98-010

**Date:** October 16, 1998

**Applies to:** All Employers

**Subject:** Preliminary Notice Regarding Potential Reductions in Employer and Member Contribution Rates

### **Pension Contribution Rates Likely to be Reduced**

Based on the recommendations of the Office of the State Actuary (OSA), action taken by the Pension Funding Council, and the decision by the Director of the Department of Retirement Systems (DRS) to adopt rates consistent with the recommendations of OSA, it is very likely pension contribution rates will be reduced for many employers and employees. The rate changes will take effect September 1, 1999, pending any 1999 legislative action that would enhance retirement benefits. The rate reductions are significant and reflect the solid financial status of the Plan 2 retirement systems and the substantial improvement in the funding status of the Plan 1 systems.

### **DRS Will Announce New Rates Following 1999 Legislative Session**

This preliminary DRS Notice is being provided because the rates are expected to decline substantially. At the conclusion of the 1999 legislative session, a DRS Notice will be issued, indicating the final rates that will be charged beginning September 1, 1999.

In addition to the reductions in the rates, it is expected the DRS administrative rate, used to fund the administration of the state retirement systems, will be increased by 1/100<sup>th</sup> of 1 percent from 0.18 percent to 0.19 percent, effective September 1999. This increase will be necessary to fund the implementation of the School Employees' Retirement System (SERS), which is scheduled for implementation in September 2000.

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## Employer Rate Reductions

The Pension Funding Council has voted to adopt the following basic employer contribution rates, as recommended by the recent OSA valuation studies. The rates listed do not include the employer administrative expense fee currently set at .18%.

<u>System</u>	<u>Current Rate</u>	<u>September 1999 Rate</u>
PERS	7.32%	4.36%
TRS	11.75%	8.38%
WSP	11.05%	0.00%

The LEOFF Plan 1 rate is set in statute and will not change on September 1, 1999. The LEOFF Plan 2 rate will be reduced, based on recent OSA valuation studies.

<u>System</u>	<u>Current Rate</u>	<u>September 1999 Rate</u>
LEOFF Plan 1	6.00%	6.00%
LEOFF Plan 2		
Ports & Universities	8.48%	5.83%
All Other	5.09%	3.50%

## Plan 2 Member Rate Reductions

The recent OSA valuation studies also indicated Plan 2 member contribution rates should be reduced effective September 1, 1999. The following rate reductions will occur subject to any benefit enhancements in the 1999 legislative session:

<u>System</u>	<u>Current Rate</u>	<u>September 1999 Rate</u>
PERS 2	4.65%	1.80%
TRS 2	6.03%	2.94%
LEOFF 2	8.48%	5.83%

The employee contribution rates for PERS 1 (6%), TRS 1 (6%), WSP (7%), and LEOFF 1 (6%) are set in statute and will not change on September 1, 1999.

## Questions?

Please contact the office of the director at (360) 709-4751 if you have any questions regarding this preliminary DRS Notice.

This Notice can be accessed on the DRS Web site at <http://www.wa.gov/DRS/employer>.

John F. Charles  
Director

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## 1998 DRS Notices

For a copy of a Notice, call (360) 586-0052 or 1-800-547-6657, or  
access on the DRS Web site at <http://www.wa.gov/DRS/employer>.

<b>Notice No.</b>	<b>Applies to/ Subject Matter</b>
98-001	<b>All Employers</b> Changes to Excess Compensation Definition
98-002	<b>All Employers</b> Toll Free Telephone Service Implemented
98-003	<b>Office of the Administrator for the Courts</b> New Judges <i>Pro Tempore</i>
98-004	<b>All Employers</b> Year 2000 Information and Employer Reporting Requirements
98-005	<b>Political Subdivision Employers</b> Deferred Compensation Program Assets to be Held in Trust
98-006	<b>All Employers</b> Summary of 1998 Legislation
98-007	<b>All TRS Employers</b> Members' Annual Statement and Sequencing Information
98-008	<b>Future SERS Employers</b> Creation of School Employees' Retirement System (SERS)
98-009	<b>All Employers</b> Creation of the DRS Receivables Management System
98-010	<b>All Employers</b> Preliminary Notice Regarding Potential Reductions in Employer and Member Contribution Rates